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INTERNATIONAL JOURNAL OF ETHICS.

OCTOBER, 1906.

ETHICAL ASPECTS OF ECONOMICS.

I.

The old controversy between the moralists and the economists may be said to have died out. It was due to misunderstanding, and it would hardly be worth while to ask which side was more to blame for the misunderstanding. No one, any longer, has to fall back upon the language of Ruskin or of Carlyle in discussing economic doctrine. The keener criticism of the socialists also is usually directed to something more vulnerable than a body of scientific doctrines. It is possible that neither Ruskin nor Carlyle nor Marx was ever justified. But the reason why their denunciations of political economy are not repeated now must be sought in the attitude of the economists themselves. Either their pretensions have been reduced from those of Ricardo and his followers, for example, or the limitations which these pretensions always implied have been made clearer. These limitations are chiefly the following:

1. It is recognized that, even in matters of industry and commerce, a man's motives may be complex and not simply of the kind conveniently or inconveniently called economic. Desire of wealth and aversion to labor—in other words, greed and laziness—do not altogether determine his action. As Marshall says:¹ "Ethical forces are among those of which the economist has to take account." Ties of kin, custom, and duty, as well as regard for the law of the land, have some

¹ "Principles of Economics," ed. I, pref.
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effect upon everyone; and besides this each man's conduct is colored by his own individual preferences and ideals. Man is neither so rampant an egoist nor so callous an embodiment of reason, as some of the older economists supposed—or led the moralists to imagine that they supposed. "The older economic man," as Lord Goschen admits, "was an hypothesis,"² and, we may add, an hypothesis which was no nearer the truth because it was so far removed from beauty and from goodness. So far as economics involves a study of motives, it has to be recognized that these motives vary in different individuals, in different social surroundings, and also in different departments of economic activity. In some departments—in the stockbroker's business, for example—the "economic" motive of desire of wealth may be hampered and modified to a very slight extent only by conflict with other motives; though, even here, the desire of wealth is effectually restrained and guided by respect for the law of the land and for the unwritten law of the stock exchange. In other departments, especially those further removed from the centre of business—farming may be an example—this desire of wealth is more obviously modified by adherence to the custom of the neighborhood as well as by other motives not purely economic. We must therefore give a careful and critical reception to any economic arguments which assume an "economic man." They are at best abstract, and deal with one side or aspect only of human activity. They tend to neglect the fact that man's other interests may mingle with and tend to disturb the even current of his economic activity. Man is a wealth-hunting, wealth-producing animal; but he is a great deal more. And although we may roughly divide his *activities* into those of business and those of leisure, we cannot draw the same line of separation within the *motives* which impel or inspire him and say that in business he is moved by desire of wealth, which is the end of business, and that in his use of his leisure he is moved by other motives of a more personal and perhaps more moral kind.

² *Economic Journal*, III., 386.

2. The second limitation concerns the validity of the laws formulated by the economists as a result of their reasonings. So far as these reasonings proceeded on the assumption that men in their economic activities were guided solely by economic motives, it is clear that the validity of the conclusions can be hypothetical only. So far also as they assumed an environment of free competition—an "economic" state for the "economic" man to inhabit—the conclusions cannot hold strictly of any society in which that free competition is not fully realized; and there is no society in which it is fully realized, although there are departments of social activity in the industrial and commercial states in which its realization is very nearly complete. The "economic state" is as hypothetical and unreal as the "economic man."

When the "laws" of the economists are thus recognized as of limited validity—when they are admitted to be hypothetical only, or to be not laws but tendencies, or in whatever way the limitation is expressed—the reason for distrust of the science on the part of the moralist is removed. When the "economic man" is allowed to be a figment there is no longer any need to cry out against him as a monster. And when "economic laws" are put forward not as statements of what does and must happen, but only of what would happen if certain tendencies were unmodified by man's varied motives and by the social order, there is no longer any excuse for dreading these laws as if they were relentless forces which must nullify all efforts towards social improvement.

3. The third point is concerned with an even more vulgar misunderstanding than the preceding. What ought never to have been in doubt is now at any rate made clear. Economic "laws" are not imperative; they have no binding force upon conduct and do not profess to have any. So far as they are valid, they are valid simply as generalized statements of the results which will follow from the interaction of given forces in a given medium. These forces are not spoken of as either moral or immoral, but only as operative in a certain direction and with a certain measure of efficiency. There is no obligation to refrain from modifying their operation by appropriate

means. Only, if we think of doing so it is well to understand them first. Economic facts and reasonings may be important data for enabling us to determine what we ought to do in certain circumstances. But economics does not of itself lay down any rules, as ethics professes to do, as to what we are to do and abstain from doing. One does not break any economic law by buying in the dearest market and selling in the cheapest, as one breaks a moral law by stealing one's neighbor's property or spending one's life in idleness.

All these points might be admitted without compelling any fundamental change in the view of economics presented by Mill or even by Ricardo. But, as a matter of fact, their elucidation has been accompanied by a gradual change in the views of the economists as to the scope, boundaries, and methods of their science. This change has been hastened by the criticisms of the historical school, by the concrete study of industrial relations and their development, and by the systematic application of statistical methods to economic questions. As a result we find that the contemporary treatment of economics produces a markedly different impression upon the reader from that produced by the treatment customary amongst the classical English economists of a generation or two generations ago. It is not merely that deductive reasoning is less prominent and facts are much more prominent—that the science is more realistic. Its connections are also emphasized in a new way. There is an absence of the clear-cut definitions of the older writers. Where these drew sharp distinctions, the moderns lay stress upon continuity, and not merely continuity within the economic range, but continuity of the economic with larger social and mental processes.

In this way not only does the old controversy of economics and ethics disappear, but the subject-matters of the two sciences are made to approximate and run into one another. And this causes a special difficulty in exhibiting the relation of ethics to economics, as that science is now conceived. As long as economics had a clearly marked region of its own, it was comparatively easy to examine the relations in which it stood with some other branch of inquiry. But when its territories

are less sharply defined and admitted to be continuous with an indefinite region which also belongs to some other sciences, the task becomes much less simple. Of course no one ever pretended that the production, distribution, and consumption of wealth took place in a world by themselves, unaffected by social and mental conditions other than those which had wealth and nothing but wealth directly for their object. Thus J. S. Mill, in defining the object of political economy as being "to investigate the nature of wealth, and the laws of its production and distribution," adds that this includes, "directly or remotely, the operation of all the causes by which the condition of mankind, or of any society of human beings, in respect to this universal object of human desire, is made prosperous or the reverse." But the tendency even of Mill, and still more of his immediate predecessors, was (unless on a few special questions) to disregard the operation of these surrounding and connected forces, and to work out an abstract hypothetical science. At present it is usual for economists to lay special stress on these forces both in the definition and in the elaboration of their science. Thus Schmoller describes economics as having to do with "part of the content of social life, with one side of the social organism," and holds that "it can be understood only in connection with the remaining social phenomena. As an introduction to it we must seek to understand social life in general, and in particular, its mental, moral, and legal foundations." And he accordingly begins his work with an investigation of "some of the principal questions which lie on the boundary between economics on the one hand and politics, psychology, ethics, and jurisprudence on the other." * That is to say the facts which we call economic, and which it is the economist's business to investigate, are not complete facts which can be studied by themselves, but parts of a wider group of facts without reference to which they cannot be understood. This same point—that economic facts are simply a portion of the larger group of facts which may be called social—is brought out in the various phrases in which the subject-

* "Gr. d. allg. Volksw." (1900), I. 6.

matter of the science is defined by Marshall. In his opening definition, economics is called "a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well-being. Thus it is on the one side a study of wealth, and on the other and more important side, a part of the study of man" ("Prin." ed. 4, p. 1). Again, it is described as "a study of the economic aspects and conditions of man's political, social and private life; but more especially of his social life. The aims of the study are to gain knowledge for its own sake, and to obtain guidance in the practical conduct of life, and especially of social life" (p. 117). And once again, it is said "economics is, on the one side, a science of wealth; and on the other, that part of the social science of man's action in society that deals with his efforts to satisfy his wants, in so far as the efforts and wants are capable of being measured in terms of wealth, or its general representative, *i. e.*, money" (p. 118).

I quote these various expressions because they all bring out both the wide range of economic phenomena, and also the special reference which distinguishes them as economic and not merely, in the wide sense, social phenomena. The "economic aspects" of social life differ from its other aspects although these may have to be taken into account in order that those may be fully understood. The "two sides" (as they are here called) of economics itself do not really differ—at least for our purposes. On the one side it is said to be the science of wealth; but as wealth is something that is being constantly made and exchanged and consumed by man, it is clear that the human and social activities involved in these processes must be included in the study of wealth. On the other side economics is said to be "that part of the social science of man's action in society that deals with his efforts to satisfy his wants;" but this broad statement needs restriction if economics is to be distinguished from social science generally; and it is at once restricted by the qualifying clause, "in so far as the efforts and wants are capable of being measured in terms of wealth or its general representative, *i. e.* money." This gives the *differentia* of "economic"

from other objects of human desire. They are "capable of being measured in terms of wealth," or, since "wealth" itself is a term about whose exact meaning there may be controversy, in terms of the general representative of wealth, namely, money. Economics deals with other things than wealth only in so far as they tend directly or indirectly to promote or impair wealth. Under this general description there are few (if any) factors in social life which might not gain entrance into economic study. But we must remember the reason why they are allowed to enter and the strict limitations put upon the part they are allowed to play. They enter only as aids or obstacles to wealth, and are evaluated only from this point of view. It is only *in so far* as they can be measured by wealth, *i. e.*, by money, that objects of human desire are recognized as economic goods. Just on this account economic goods are not the only good things. There are many others which, as we say, are "without price." If examples were wanted, one might point to an enumeration of things worth having: "Whatsoever things are true, whatsoever things are honest, whatsoever things are just, whatsoever things are pure, whatsoever things are lovely, whatsoever things are of good report; if there be any virtue, and if there be any praise, think on these things."

Now, if we do think on these things with our present question in view, we see that some of them can hardly be said to have the slightest money value; others of them may be factors in economic goods. Justice for instance, may in some degree be a business asset worth money, as other personal qualities may be. But its goodness or worth cannot be measured by its wealth-producing effects. None of these things, in fact—and they are only examples of many others—derive their goodness from any tendency they may have to produce wealth; nor are those of them which have no causal relation with wealth less good than those of them which may have some such relation. The economist has a definite and finely graduated scale upon which he measures his values. But there are some values—and amongst these the most important—which cannot be measured on his scale.

This consideration points to a relationship between economics

and ethics which is of an essentially different kind from that first suggested. And it is now possible to distinguish them from one another, and to define these two ways in which economics is related to ethics, or, if the phrase be preferred, these two "ethical aspects" of economics.

1. In the first place are to be reckoned all those influences which may be described as moral, which enter into and modify the processes of the production, distribution, and consumption of wealth. The economist cannot content himself by referring to the "desire of wealth" as explaining the whole of man's economic activity; nor may he regard the social medium in which economic affairs are carried on as planned and maintained for economic purposes only. Its purposes embrace but go beyond economy, and these further purposes react upon economic processes. To quote Marshall's words again, "ethical forces are among those of which the economist has to take account." The extra-economic forces of which the economist has to take account are partly natural or physical, partly human; and the human forces may be said to be ethical or quasi-ethical. They may be distinguished into three groups—mental, social, and legal—which, however, do not admit of strict separation from one another in their operation.

(a) There are, first, the mental processes: the impulses, desires, and purposes of men. These are commonly described as moral powers, since they determine conduct and are amenable to review by conscience. The idea that a purely economic motive, called the desire of wealth, can be separated out of these and is a sufficient psychological basis for the study of economics is quite untenable, and has indeed seldom been put forward in this bald form. We may indeed speak of a "desire of wealth," but it is a factitious desire which either arises after reflection on the facility which wealth gives for gratifying other desires or else grows upon the man of business through the gradual restriction of his interests to business and its immediate results. That is, the desire of wealth needs to be set a-going by other desires. In certain cases it succeeds in dominating these. But normally it exists only in company with a multitude of other desires to the gratification of which wealth may con-

tribute, and alongside of still other desires with which wealth has little or nothing to do. The mere consciousness of one's powers and delight in their exercise may lead to engrossing devotion to business and may result in wealth for which there was hardly any desire. The desire of amusement may lead one to neglect one's business, or it may lead to hard work for a time that the means of amusing oneself later on may be acquired. And in addition to the whole tribe of desires which fill the life of man, conduct is regulated and modified in varying degrees by the sense of duty or by ideas about good and evil. All these influences affect economic activities, and it is consequently illegitimate for the student of economic processes to neglect any of them. Any selection amongst them of "motives to be taken into account by the economist must be more or less arbitrary. In so far as the economist generalizes from facts, he is dealing with results to which all these forces have contributed. In so far as he argues deductively, he may be obliged to ignore them, but must admit that their omission impairs the validity of his conclusions.

(b) There are, secondly, the various forms of the social life, such as the division of classes, the customary standard of comfort of each class, and the like, and the various forms of institution—the family, the church, local governing bodies, and State. Many of these customs and institutions are primarily economic, for example, the competitive system, and among institutions, trade unions and employers' associations and trusts. Others have a different purpose or one of wider range; but all of them influence the industrial and commercial life of the country. If we were to go into detail a close correspondence might be shown between these social forms and the mental or moral tendencies of individuals. Individual and society do not merely interact; they are inseparable in their nature.

(c) Thirdly, there may be distinguished from social forms the system of law declared and enforced by the State. It also stands in the closest reciprocal relation to the moral sense of the community: on the one hand it may be regarded as the expression of the moral obligations which are held to be most essential by the community; on the other hand it in large measure

modifies and controls this moral sense. In stationary societies the two are in equilibrium; in progressive societies this equilibrium is being constantly disturbed.

All this is only an outline or indication of what I have called the first of the two ways in which economics is related to ethics. Economic facts are imbedded in a larger mass of facts, mental, social, and legal; and this larger mass of facts which surrounds the economic is of a nature which is, to a great extent, capable of being described as moral or ethical. We must bear this side of the relationship in mind, because it is of fundamental importance. But it is not *so* important, from our point of view, as the other mode of relationship which I am about to describe. All the above considerations can be taken into account by the economist without leaving the field and method of economics. The other aspect of the relationship, to which I now go on, implies a new point of view outside economics, and necessitates a different method of inquiry.

2. This second way in which economics is related to ethics will be found to lead to issues very different from those of the first. For we have found that economics is able to expand itself and take into its consideration all those ethical forces which may in any manner foster or hinder the growth of wealth or modify its distribution. This broadening of the basis of economics until every relevant social and mental factor has been taken into account is indeed a salient feature of the economic systems of the present day. But the second way of looking at the relation will lead to a new point of view. It will present the economic factor as only one factor in a wider scheme within which the place and rank of the economic factor have to be assigned to it, and an appeal has to be made to other than economic standards.

We have already found that the *differentia* of economic products consists in this, that they can be measured in terms of wealth, or of money as representing wealth. This is an easy means of identification. It also provides a standard for the measurement of purely economic values. This conception of value is indeed so fundamental in economics that the whole science may be said to hinge on it. The value of any article is

determined by relation to the other things which can be got in exchange for it; and when we have in money a general measure of the ratio in which things can be exchanged for one another, the measurement of value is easy. The term "value" in this use of it means "value in exchange;" and to this use the term is practically restricted in modern economic reasoning. This is a matter of convenience. But if we examine this conception of value, we find that it assumes another conception. The value of A consists in its relation to the amounts of B, C, and D, or any one or more of them which can be got in exchange for it. The value of B, in like manner, consists in its relation to the amounts of A, C, and D, or any one or more of them which can be got in exchange for it. Similarly of the values of C and D. And if we measure the value of all commodities by money, then money itself has to be valued in terms of commodities. In attempting to define the value of any one commodity, therefore, we are really always landed in a *circulus in definiendo*; and this circle is only hidden from us because we commonly define the value in relation to the common measure, money, and overlook for the moment the fact that the value of money itself must be defined in relation to other articles. The economic conception of "value" (*i. e.*, exchange value), therefore, can be supported only if commodities have, in some sense, a value which is independent of their relation to other commodities. That is to say, value in exchange rests ultimately upon what Adam Smith called "value in use," what Jevons and others call simply "utility." This term "utility," again, has been found capable of convenient manipulation in the intricacies of economic reasoning; and as it is found convenient there is no reason why it should not be employed. But it is hardly adequate to our present purpose. It has certain misleading associations of an ethical or philosophical kind; and it is besides a relative term which assumes as understood a purpose or end in the promotion of which the utility consists. The value in exchange of any thing depends upon the fact that it has a value independent of exchange, to some person or persons at any rate. They desire it for its own sake—to "use," as Adam Smith would

say, or perhaps simply to attain or possess. And this value, independent of exchange, which it has for them is shown by the fact that they would do something or give up something to get it. This is the fundamental "value," therefore, and I should like to give it that name. But to do so would only create confusion with the economic use so firmly established. I shall therefore use the term "value," as the economists use it, for "value in exchange;" and for the underlying conception, the value which is independent of exchange, I shall make use of the term "worth."

Now all things which have "value" (in exchange) either have worth themselves or lead to others which have it. But not all things which have worth have also value (in exchange). "Get wisdom," says the proverb, "and with all thy getting get understanding"—not clearly because they can be passed on for something else or can be measured by money, but simply for their intrinsic worth. The economist has his scale of values and can place all economic goods at their proper places on the scale. But the whole valuation is extrinsic. The goods are not valued for themselves, but for what they will bring—in money.

If we go any further and raise the question not of extrinsic values, but of the importance of economic goods in human life as a whole, we raise a question not of extrinsic but of intrinsic value, or of what I have proposed to term worth. In the scale of worth all economic goods must be re-estimated with reference to a different standard than the economic standard of value; and they must have their place assigned to them in comparison with the goods for which the economic scale has no room. This is the question, aspects of which will occupy us in the following articles; and it is strictly an ethical question, though it deals with economic material. It is not an easy question; and in many of its aspects it will be found not to admit of a fully satisfactory solution. But it is none the less a legitimate and indeed an essential question both for the student of economics and for everyone engaged in the business of life. The smallest consideration shows that the extrinsic values with which alone economics deals are an insufficient guide to intrinsic worth:

they shift with every turn of the market, or with a new invention, or with a change in the laws of the land. And it is necessary to ask whether there is any other way of determining the worth both of the things which money buys and of those things which it cannot buy.

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POSITIVISTS AND DOCTOR COIT.

I have seldom been more surprised by any article than I was by that written by Dr. Stanton Coit in the July number of this JOURNAL, and entitled "Humanity and God." I thought that I knew something about the "English Positivists;" but as Dr. Coit has discovered such things about them that I have never heard of, I must ask him to tell us where he found this singular variety, and whom he has unearthed as addicted to the practices he describes. In all the thirty-six years that I have been associated with the Positivist movement, in the twenty-five years that I was President of the English Positivist Committee, I have never heard or seen anything at all like the ideas Dr. Coit ascribes to our body.

He begins by asserting that the English Positivists are proud of having the words "Humanity" and "God" coupled side by side. And he goes on to declare that they represent Humanity as the equal of God. I can only say that I have never known any such thing, nor has our committee or our body ever used any such language. We have always taught that Humanity and God represent ideas entirely incommensurate, incapable of being compared, having no relation or analogy whatever. Humanity is a visible, localized, limited organism, wholly *relative*, and devoid of all the divine attributes necessarily associated with the idea of God. Humanity can no more be compared with God, or grouped with God, or assimilated to God, than could the idea of one's Fatherland or the Planet we dwell on. It is an idle sneer that Positivists ever pretend to make a God of Humanity.